

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 NSAE-00 NSCE-00

SSO-00 USIE-00 INRE-00 PM-05 H-01 INR-07 L-03

PA-01 PRS-01 SP-02 SS-15 OMB-01 TRSE-00 SSM-03

AGRE-00 COME-00 EB-08 LAB-04 SIL-01 AID-05 /068 W

-----115738 200813Z /15

O 191652Z AUG 77

FM AMEMBASSY DAMASCUS

TO SECSTATE WASHDC IMMEDIATE 4503

INFO AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY TEL AVIV

AMEMBASSY BEIRUT

C O N F I D E N T I A L SECTION 1 OF 2 DAMASCUS 5335

E.O. 11652: GDS

TAGS: PINT, SY

SUBJECT: ASSAD MOVES TO CONTROL CRITICISM OF REGIME

### 1. SUMMARY:

PRESIDENT ASSAD AUGUST 18 STRESSED DOMESTIC AFFAIRS IN HIS SPEECH OPENING THE PEOPLE'S COUNCIL, ATTACKING CORRUPTION AND SHORTCOMINGS IN THE GOVERNMENT. HIS FEW COMMENTS ON FOREIGN AFFAIRS RESTATED SYRIA'S PUBLIC POSITIONS, STRESSING PALESTINIAN RIGHTS AND THE NEED FOR ARAB UNITY IN THE MONTHS AHEAD. ON THE DOMESTIC SIDE HE PLACED RESPONSIBILITY FOR A CAMPAIGN AGAINST ECONOMIC SHORTCOMINGS ON THE BAATH PARTY AND THE REGIONAL COMMAND. HE SET HIMSELF ABOVE THE CAMPAIGN, SYMBOLICALLY RELINQUISHING HIS OWN WORLDLY GOODS. BUT IT IS UNLIKELY, FOR ALL THEIR PUBLICITY, THAT THESE NEW MOVES ALONE WILL ACCOMPLISH ACTUAL REFORMS. ASSAD'S PURPOSE SEEMS IN PART GEARED TO BALANCE OFF HIS COMPETING SUPPORTERS IN THE PARTY AND SECURITY

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APPARATUS. HE, HAS, HOWEVER, GIVEN A LONG OVERDUE AIRING TO A POPULAR ISSUE WHICH HE HAS IGNORED OVER THE PAST TWO YEARS. ASSAD MUST CONTINUE TO PUT HIS PRESTIGE BEHIND NEEDED REFORMS TO DENY HIS OPPONENTS THE CHANCE TO EXPLOIT THIS FERTILE GROUND. END SUMMARY.

### 2. THE INTERNAL DISSENSION WHICH HAS BEEN WORRYING

PRESIDENT ASSAD'S REGIME IN RECENT MONTHS, THOUGHT NOT ROOTED IN ECONOMIC PROBLEMS, HAS BEEN MAGNIFIED BY THEM. GROUPS WHICH OPPOSE THE PRESIDENT FOR POLITICAL REASONS HAVE BEEN ABLE TO USE POOR ECONOMIC PERFORMANCE AND CORRUPTION TO ATTACK THE ASSAD REGIME AND TO WIN SYMPATHETIC AUDIENCES AMONG THE CITIZENRY.

3. THE LOW POPULAR TURNOUT FOR THE PEOPLE'S COUNCIL ELECTION AUGUST 1-2, PERHAPS NO MORE THAN 11 PERCENT TOTAL COUNTRY-WIDE, APPARENTLY SHOCKED THE LEADERSHIP. IT IS BEING INTERPRETED BY MANY AS AT LEAST REFLECTING APATHY AND PROBABLY AS WELL A NEGATIVE VOTE ON THE BAATH PARTY AND THE REGIME, PARTICULARLY THEIR HANDLING OF THE ECONOMY. ASSAD IS NATURALLY CONCERNED ABOUT THIS PROBLEM AND ITS INHERENT RISKS. GREEK ORTHODOX BISHOP JIBRAN SAYS HIS CONTACTS IN ASSAD'S INNER CIRCLE FROM THE SECURITY APPARENTUS ARE DISTURBED, THOUGH THEY DO NOT FEEL IMMEDIATELY THREATENED. THEY WANT TO REMOVE THIS AMMUNITION FROM THE HANDS OF THEIR ENEMIES.

4. THUS, IMMEDIATELY AFTER THE PEOPLE'S COUNCIL ELECTION PRESIDENT ASSAD BEGAN ANNOUNCING A SERIES OF ECONOMIC DECREES WHICH ATTACK SOME OF THE MORE VISIBLE PROBLEMS THE CITIZENRY HAS BEEN COMPLAINING ABOUT. THESE MEASURES HAVE BEEN LAUNCHED WITH CONSIDERABLE PUBLICITY, DOMINATING THE FRONT PAGES  
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OF THE SYRIAN PRESS. ASSAD HAS INTER ALIA( 1) STRENGTHENED PENALTIES FOR ECONOMIC ABUSES WHILE TIGHTENING RESTRICTIONS AGAINST BRIBERY AND GRAFT; 2) CREATED SPECIAL COURTS IN ALEPPO, HOMS AND DAMASCUS TO INVESTIGATE AND PUNISH ECONOMIC CRIMES; 3) PROHIBITED EXPORT OF WHEAT, BARLEY, LENTILS, CHICKPEAS, CORN AND OATS WHICH ARE SYRIAN STAPLES; 4) AUTHORIZED PRODUCTION INCENTIVES TO BOOST OUTPUT; 5) ORDERED THE ALLOCATION OF 300 MILLION SYRIAN POUNDS FOR FOOD SUBSIDIES.

5. MEANWHILE, THE PARTY OWNED NEWSPAPER AL-BAATH, IN THREE HARD HITTING EDITORIALS OVER THE PAST FEW DAYS BY EDITOR AMID KHOULI, HAS CHALLENGED THE GOVERNMENT TO PUT ITS ECONOMIC HOUSE IN ORDER AND CRITICIZED PUBLIC APATHY. ON AUGUST 16, KHOULI'S EDITORIAL SAID THE EXECUTIVE BRANCH HAS NOT LIVED UP TO EXPECTATIONS OR ITS RESPONSIBILITIES. HE SPOKE OF A "ROTTEN BUREAUCRACY AND ECONOMIC STRNGULATION." "ANXITY IN PRODUCTION," AND DEFORMITIES IN THE PUBLIC SECTOR CAUSED SOLELY BY MIS-MANAGEMENT. "THE EXECUTIVE BRANCH IN ITS PRESENT COMPOSITION, HE CONCLUDES, IS A MAJOR CHALLENGE TO THE CORRECTIVE MOVEMENT," (THE LABEL THE PRESIDENT APPLIED TO HIS REGIME WHEN HE TOOK POWER IN 1970). ONE OF THE DIVISION HEADS IN THE MFA

TOLD THE BRITISH AMBASSADOR THAT THESE EDITORIALS HAD BEEN DICTATED TO KHOULI BY PRESIDENT ASSAD AS A PRELUDE TO HIS SPEECH AUGUST 18 OPENING THE PEOPLE'S COUNCIL.

6. ASSAD IN LAST NIGHT'S SPEECH (FBIH JN 1818406) HAS PUT HIMSELF ON RECORD PUBLICLY AS BEING GRAVELY CONCERNED ABOUT CORRUPTION AND ECONOMIC CRIMES. HE MADE IT CLEAR THAT THE BAATH PARTY REGIONAL COMMAND WAS SPEARHEADING THE NEW DRIVE TO CORRECT MISTAKES. HE REPEATEDLY CALLED ON THE NEW PEOPLE'S COUNCIL TO BEAR ITS RESPONSIBILITY AND TO CALL THE MINISTRIES AND THE CABINET TO ACCOUNT FOR THEIR MISTAKES. HE WARNED AGAINST COVERING UP MISTAKES. HE REVIEWED THE ECONOMIC DECREES HE HAD ISSUED IN THE PAST TWO WEEKS AND ANNOUNCED THE FORMATION OF AN INVESTIGATIVE COMMITTEE WITH AN INITIAL LIFE CONFIDENTIAL

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OF SIX MONTHS TO LOOK INTO THE ILLEGAL ECONOMIC TRANSACTIONS WHICH HAVE BEEN TARGETS OF POPULAR COMPLAINTS. (THE COMMITTEE IS TO BE CHAIRED BY REGIONAL COMMAND MEMBER AHMED DIAB WHO IS RESPONSIBLE FOR HIGHER EDUCATION AFFAIRS. THE SIX MEMBERS OF THE COMMITTEE INCLUDE TWO COURT JUSTICES, THE CHAIRMAN OF THE CENTRAL ORGANIZATION OF INSPECTORS AND THREE LEADERS FROM THE UNION MOVEMENT.)

FINALLY, THE PRESIDENT DONATED TO THE STATE THE LANDS HE HAD INHERITED AND A HOUSE IN DAMASCUS HE HAD BOUGHT IN 1964, SYMBOLICALLY PLACING HIMSELF ABOVE THE ONGOING COMPLAINTS AND CRITICISMS. (COMMENT: THIS MAY BE TAKEN BY MANY SYRIANS AS THE MOST IMPORTANT SIGNAL IN THE PRESIDENT'S SPEECH SINCE IT SEEMED TO BE A BROAD HINT FOR OTHER HIGH GOVERNMENT OFFICIALS TO FOLLOW SUIT.)

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PA-01 PRS-01 SP-02 SS-15 OMB-01 TRSE-00 SSM-03  
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7. DESPITE THE BLARING PUBLICITY AND APPARENT SERIOUSNESS WITH WHICH THE PRESIDENT APPROACHED THE PROBLEM IN HIS SPEECH, HIS MOVES MAY PROVE TO BE LITTLE MORE THAN WINDOW DRESSING FOR PUPULAR CONSUMPTION. THE CORRUPTION PROBLEM IN SYRIA IS NOT AS GREAT AS IN MOST OTHER MIDDLE EAST COUNTRIES AND INsofar AS IT DOES EXIST, IT TENDS TO BE CONDONED AND/OR INDULGED IN BY PARTY LEADERS, MOST CONSPICUOUSLY BY THE PRESIDENT'S BROTHER RIFAT. NEW LAWS, COURTS, OR INVESTIGATIVE COMMITTEES WILL NOT CHANGE THIS UNLESS THE PRESIDENT IS PREPARED TO REIN IN HIS BROTHER AMONG OTHERS AND CURB SOME OF THE MORE OBVIOUS ABUSES. IT IS UNLIKELY HE CAN GO FAR ALONG THESE LINES WITHOUT UNDERCUTTING THE LOYALTY TO HIM OF IMPORTANT PARTY LEADERS, SOME OF WHOM PLAY KEY SECURITY ROLES. AND IF ANYONE IS COUNTING ON THE CHAIRMAN OF THE COMMITTEE THE PRESIDENT HAS FORMED TO TAKE EFFECTIVE ACTION, THE PORTENTS ARE NOT GOOD. AHMED DIAB WAS A TEACHER WHOM RIFAT ASSAD BROUGHT INTO THE REGIONAL COMMAND AND SPONSORED HIS RISE IN THE PARTY. THERE IS LITTLE QUESTION ABOUT WHERE DIAB'S  
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LOYALITES LIE.

8. AS FOR THE OTHER MOVES THE PRESIDENT HAS ANNOUNCED:

A. GRAIN SHORTAGES HAVE CAUSED PRICE INCREASES, BUT THERE IS NO SYRIAN GRAIN CURRENTLY AVAILABLE FOR EXPORT SO "NEW EXPORT CONTROLS" ARE MEANINGLESS;

B. PRODUCTION INCENTIVES ARE A TWO-EDGED SWORD. WHILE THEY CAN HELP PRODUCTIVITY THEY WILL NOT BENEFIT THE 75 PERCENT OF THE LABOR FORCE IN THE PUBLIC SECTOR WHICH IS LARGELY UNSKILLEDD AND REDUNDANT.

C. INCREASED CAPITAL FOR FOOD SUBSIDIES WILL ONLY FUEL INFLATION.

9. MANY OF OUR CONTACTS FEEL THAT THERE IS STILL ONE ACT TO COME, A CABINET CHANGE. KHULAYFAW'S REPLACEMENT AS

PRIME MINISTER HAS BEEN TALKED ABOUT SO OFTEN IT IS PROFITLESS TO PREDICT WHEN IT WILL HAPPEN. IF HE DOES GO, THE BETTING AFTER LAST NIGHT'S SPEECH IS ON DEPUTY AIR FORCE CHIEF, AND RIFAT ASSAD'S CRITIC, NAJI JAMIL. HALABI, WHO HAD BEEN MENTIONED BEFORE AS A POSSIBLE PRIME MINISTER AND WAS SUPPORTED BY RIFAT HAS JUST BEEN REELECTED AS SPEAKER OF THE PEOPLE'S COUNCIL. THIS IS TAKEN AS A SIGN THAT HE WILL NOT GET THE PRIME MINISTRY. FORMER PRIME MINISTER AYYOUBI WHO HAS BEEN WIDELY TIPPED FOR THE JOB, DOES NOT READILY FILL THE BILL AS A DYNAMIC ANTI-CORRUPTION FIGURE. (HE IS SAID TO HAVE TOLERATED WIDE-SPREAD CORRUPTION AND EVEN PROFITED PERSONALLY FROM HIS LAST STINT AS PRIME MINISTER.)

10. ASSAD'S EMPHASIS ON THE REGIONAL COMMAND AS HIS  
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SOURCE OF AUTHORITY FOR THE NEW ECONOMIC INITIATIVES PLACES THE COMMAND, AND THE BAATH PARTY GENERALLY, ON THE SPOT TO CARRY THROUGH WITH A PROGRAM ATTACKING CORRUPTION AND ECONOMIC INEFFICIENCY. THROUGHOUT THE TELEVISED SPEECH THE CAMERAS PLAYED ON THE COMMAND MEMBERS. AND ALL NEWSPAPERS TODAY CARRIED A PHOTOGRAPH NOT JUST OF THE PRESIDENT, THE NORMAL PROCEDURE, BUT OF THE PRESIDENT ADDRESSING THE ASSEMBLED COMMAND MEMBERS. HOWEVER, THE COMMAND IS DIVIDED ON THE ISSUES OF CORRUPTION AND ECONOMIC PROBLEMS. (WE HAVE PREVIOUSLY REPORTED CONFLICTS WITHIN THE BAATH PARTY COMMAND AND WILL SUBMIT SHORTLY AN AIRGRAM SUMMARIZING PRE-ELECTION MANEUVERINGS WHICH HIGHLIGHT CONTINUED SHARP PERSONALITY CONFLICTS ON THE COMMAND.) ASSAD HAS BEEN TRYING TO BROADEN HIS SUPPORT IN THE COUNTRY AND HAS SUCCEEDED IN STAYING ABOVE REGIONAL COMMAND CONFLICTS, NOT WANTING TO ALIENATE THE LOYALTY OF KEY SUPPORTERS. WHEN HE HAS BEEN FORCED TO INTERVENE IN THE PAST IT HAS BEEN TO REESTABLISH AT LEAST A SURFACE HARMONY. THE LATEST ECONOMIC MOVES AND LAST NIGHT'S SPEECH THUS MAY HAVE BEEN GENERATED IN PART BY HIS BALANCING ACT WITHIN THE REGIONAL COMMAND.

11. ASSAD, HOWEVER, UNQUESTINABLY HAS NOW AIRED ISSUES OF MAJOR POPULAR CONCERN AND ONES WHICH HE HAS LARGELY NEGLECTED DURING THE PAST TWO YEARS, PREOCCUPIED AS HE HAS BEEN WITH FOREIGN POLICY, IN PARTICULAR WITH THE LEBANESE IMBROGLIO. THE MEASURES THUS FAR ANNOUNCED UNFORTUNATELY DO NOT APPEAR TO ATTACK THIS COUNTRY'S CORE ECONOMIC PROBLEMS OF :

A. INFLATION,

B. SHORTAGE OF SKILLED LABOR,

C. LOW WAGES, WHICH DRIVE SKILLED WORKERS ABROAD,

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D. LOW PRODUCTIVITY IN PART CAUSED BY ARTIFICIAL  
LOW OFFICIAL PRICES, AND

E. UNDER-UTILIZED INDUSTRIAL CAPACITY.

ONE PRESIDENTIAL SPEECH WILL NOT FOR LONG STILL POPULAR  
DISCONTENT OVER UNSATISFACTORY ECONOMIC PERFORMANCE. NOR  
IS IT LIKELY ASSAD WILL BE ABLE TO PIN RESPONSIBILITY ON THE  
BAATH PARTY AND THE REGIONAL COMMAND IN THIS AREA, SINCE  
FEW SYRIANS DOUBT WHERE THE REAL POWER RESIDES IN THIS  
COUNTRY. THUS ASSAD WILL HAVE TO SHOW HE IS PERSONALLY  
READY TO KEEP HIS PRESTIGE ON THE LINE FIGHTING CORRUPTION  
AND INADEQUATE GOVERNMENT ECONOMIC PERFORMANCE IN ORDER TO  
DENY THESE ISSUES TO HIS OPPONENTS.  
MURPHY

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## Message Attributes

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**To:** STATE  
**Type:** TE  
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